the municipality of metropolitan toronto

1985 financial statements

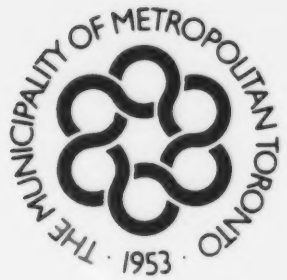
86-03642/

Compiled by:

Treasury Department
Municipality of Metropolitan Toronto
10th Floor, West Tower, City Hall
Toronto, Ontario M5H 2N1

Telephone: (416) 392-8427

Additional copies are available at the above address



The Municipality of Metropolitan Toronto was incorporated in 1953 as a regional government by an act of the Province of Ontario. It is located on the north shore of Lake Ontario and consists of six municipalities, namely, the City of Toronto, the City of North York, the City of Scarborough, the City of Etobicoke, the City of York, and the Borough of East York. The Municipality covers 632 square kilometres extending 40 kilometres along the north shore of Lake Ontario and 16 kilometres inland.

The principle underlying the distribution of responsibilities between the Municipality of Metropolitan Toronto and its constituent area municipalities recognizes the need to unify those functions which are common to the whole area, while at the same time permits local, personal administration of matters of local concern. Accordingly, amalgamated services assigned to the Metropolitan Corporation include, inter alia, public transit, police protection, welfare administration, ambulance services and elderly persons housing; services which are the exclusive responsibility of the area municipalities in the Metropolitan federation include fire protection, garbage collection, water supply distribution, minor arterial roads and the collection of taxes.

The Corporate logo, depicted above, symbolizes the six area municipalities, independent, yet interdependent, forming a union whose strength is greater than that of its individual parts.

CONTENTS

Six-Year Financial Review

Financial Statements

Municipality of Metropolitan Toronto

Metropolitan Toronto Trust Funds

Metropolitan Waterworks System

The Financial Statements of the Municipality of Metropolitan Toronto reflect the activities of the Municipality **not consolidated** with its local boards, commissions and municipal enterprises. Consolidated financial statements for the Municipality will shortly be published as part of the Annual Report of the Commissioner of Finance.

The Municipality of
Metropolitan Toronto

Treasury Department
City Hall, West Tower, 10th Floor
Toronto, Ontario, Canada M5H 2N1

Address all correspondence to
John L. Pickard, B.Com., F.C.A.
Commissioner of Finance and Treasurer

J. W. Peat, I.P.F.A., F.C.C.A.
Director of Financial Services and Deputy Treasurer

May 15, 1986

The Chairman and Members
of the Council
of the Municipality of Metropolitan Toronto

FINANCIAL STATEMENTS 1985

INTRODUCTORY

I am pleased to present the Financial Statements of the Municipality of Metropolitan Toronto for the year ended December 31, 1985. These statements reflect the operations of the Municipality which at this stage are not consolidated with its local boards and municipal enterprises. A comprehensive consolidated financial overview will be included as part of the subsequent Annual Report for fiscal 1985. In the meantime I have commented in some detail on the 1985 financial results with a view to providing an overview of 1985 fiscal activity.

Also presented herein are the Financial Statements of the Trust Funds administered by the Municipality, together with the Financial Statements of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation.

CURRENT OPERATIONS

The current fund surplus recorded by the Metropolitan Corporation in 1985, in excess of $37 million, represented the 32nd consecutive annual surplus and is attributable to a number of circumstances. Briefly stated, total operating expenditures amounted to $25.0 million lower than budget while total operating revenues exceeded budget by $12.8 million.

Operating Expenditures

In 1985, total gross operating expenditure amounted to $1,310,864,000 (1984 - $1,219,647,000) as compared with a total gross operating budget of $1,335,851,000.

OPERATING EXPENDITURES — DOLLARS IN THOUSANDS

	1985 Budget	1985 Actual	Budget Comparison		1984 Actual
				Note Below	
General government	$ 70,272	$ 69,138	$ 1,134	(a)	$ 72,958
Protection to persons and property	370,588	363,631	6,957	(b)	341,084
Transportation services	234,247	235,083	(836)		203,184
Environmental services	144,805	144,468	337		133,136
Health services	42,944	40,726	2,218	(c)	39,271
Social and family services	388,584	377,713	10,871	(d)	354,667
Recreation and cultural services	75,500	71,541	3,959	(e)	65,928
Planning and development	8,911	8,564	347		9,419
	$1,335,851	$1,310,864	$24,987		$1,219,647

Notes

(a) interest on temporary financing lower than budgeted.
(b) actual strength of uniform and civilian personnel lower than budgeted.
(c) lower than budgeted ambulance payroll costs; certain ambulance equipment not purchased as suppliers could not meet departmental specifications.

(d) general welfare caseload and related area office administration costs were lower than estimated; the space expansion program for children's services was not implemented as quickly as forecasted; decline in anticipated level of social services program support.

(e) additional revenue from the panda exhibit resulted in a lower than forecasted net operating cost for the Metro Toronto Zoo.

Operating Revenues

In 1985, total operating revenues amounted to $1,313,192,000 (1984 $1,215,799,000) as compared with total budgeted revenues of $1,300,370,000.

OPERATING REVENUES — DOLLARS IN THOUSANDS

	1985 Budget	1985 Actual	Budget Comparison	1984 Actual
General levy (including supplementary taxes)	$ 636,353	$ 635,820	$ (533)	$ 606,231
Ontario grants	464,272	459,057	(5,215)	425,253
User charges	135,346	147,627	12,281	124,979
Other revenue	64,399	70,688	6,289	59,336
	$1,300,370	$1,313,192	$12,822	$1,215,799

General levy

The tax levy on Metropolitan Toronto's six constituent area municipalities increased 5.2 per cent. over 1984, while the rate of growth in the assessment upon which the Metropolitan levy is apportioned declined from 2 per cent. in 1984 to 1.4 per cent. in 1985.

Provincial grants

The total of grants received from the Province of Ontario during 1985 at $459,057,000 represented 35.0 per cent. of gross expenditures, as compared with 34.9 per cent. in 1984. The shortfall in budgeted grant revenue of $5,215,000 is almost entirely related to the reduction of social services expenditure eligible for such grants.

User charges

The positive variance of $12,281,000 arises principally from increased landfill disposal fees, transfer station disposal fees and higher revenue from the sewer surcharge on water sales.

Other revenue

Higher than anticipated interest earnings, parking tag revenue and provincial court fines and fees account principally for the positive variance of $6,289,000.

CAPITAL OPERATIONS

Gross capital expenditure in 1985 amounted to $268 million, an increase of 18 per cent. over 1984. Of this sum, $156 million, or 58 per cent., was spent on expansions and improvements to the transit system, while sewage and refuse disposal capital expenditure, at $34 million, accounted for 13 per cent. Expenditures in regard to protection to persons and property totalled $24 million, or 9 per cent., and related primarily to expenditure on the expansion of the new police headquarters.

Transit capital expenditures were mainly associated with the Toronto Transit Commission's ongoing program of vehicle fleet modernization. The older generation subway cars that date as far back as the opening of the Yonge Street subway in 1954 were gradually replaced by more efficient subway cars and expenditures on a 126-car order in 1985 totalled $48.2 million. The advanced-technology Scarborough Rapid Transit line opened on March 23, 1985 and final expenditures on the project amounted to $15.2 million in 1985.

Total financing of capital expenditures during 1985 amounted to $244,262,000 and was comprised principally of provincial capital grants in the sum of $141,394,000 (58%), contributions from current funds of $66,551,000 (27%) and excess sinking fund investment earnings of $12,932,000 (5%). In addition, long term debt incurred amounted to $11,645,000 (5%) while other miscellaneous sources of capital financing such as proceeds from the sale of capital assets and sundry capital contributions and recoveries totalled $11,740,000 (5%).

LONG RANGE CAPITAL AND FINANCIAL PLANNING

Capital Expenditure Financed from Current Funds

Metropolitan Council's long-range capital and financial planning policy for its general municipal purpose and municipal enterprise operations is designed to ensure a balanced financing mix between internally generated revenues and debenture financing for the Municipality's capital expenditures and other long-term capital improvements. The capital financing policy adopted is designed essentially to stablilize the contribution of the revenue fund towards capital expenditures at a level generally of 50 per cent. of the actual net capital financing requirements for each year. To the extent that the annual provision

in the operating budget to finance capital expenditures out of current funds exceeded this limit, the excess is transferred to a capital financing stabilization reserve; conversely if such annual provision amounted to less than the 50 per cent. guideline, the shortfall is met by a draw upon the reserve.

The capital financing provision for the 1985 financial year was increased, with the approval of Metropolitan Council, to 6 mills of the total metropolitan general assessment from a level of 5 mills in 1984. Early in 1985, based upon the approved capital spending estimates, it was anticipated that such 6 mill capital financing of itself would not represent 50 per cent. current financing but would have to be augmented by a draw of $1.9 million from the capital financing stabilization reserve. However, because the level of 1985 capital expenditures actually incurred was significantly lower than anticipated, the 6 mill capital financing provision proved to be in excess of requirements, accordingly such excess, in the amount of $1,704,000 was transferred to the capital financing stabilization reserve in accordance with Council policy.

Guidelines for Future Capital Expenditure

In May, 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines, following a comprehensive financial planning study designed to identify measures to further control the Corporation's capital expenditures and debt servicing charges within limits considered necessary to achieve multi-year financial targets established by Council. The study projects over an extended period of years the levels of net capital expenditures in various functional areas, with a view to determining priorities as between competing service demands for capital resources and relating such multi-year expenditure levels and priorities to debt management policy guidelines.

Recommendations included:

a) specific net capital expenditure targets for the next five years and further five year targets to be utilized as a planning guide;
b) specific criteria for the management of debt;
c) a process to review and update the plan on an annual basis.

The expenditure targets approved by Metropolitan Council are based on three key criteria:

a) percentage of fixed debt charges in the levy should average no more than 15 per cent.;
b) percentage of net capital expenditure to be raised in the levy should be no less than 50 per cent.; and
c) the mill rate should increase each year by no more than the inflation rate within the economy as measured by the Consumer Price Index.

These guidelines will form the basis of the Budget Sub-Committee's review of future Five-Year Capital Works Programs; any revisions to long term capital expenditure targets arising from such reviews are to be the subject of subsequent reports to Metropolitan Council.

DEBT STRUCTURE

The table below portrays the gradual decline in the level of net long-term liabilities of the Municipality of Metropolitan Toronto over the last six years in respect of its own general municipal activities and municipal enterprises (exclusive of those of the Area Municipalities). Net long-term liabilities in respect of general municipal purposes are also expressed on a per capita basis and as a percentage of taxable assessment.

NET LONG TERM LIABILITIES — DOLLARS IN THOUSANDS, EXCEPT PER CAPITA FIGURES

	General Municipal Activities	per capita	% of weighted assessment	Municipal Enterprises
1980	$478,786	$222	6.48	$145,636
1981	452,608	209	6.08	136,189
1982	419,148	191	5.41	123,293
1983	415,318	188	5.28	109,636
1984	388,949	176	4.85	96,298
1985	**358,207**	**167**	**4.40**	**83,948**

Metro Council's capital financing policy involving a "pay-as-you-go" annual provision of about 50 per cent. of capital borrowing requirements, as previously described, has been over the last several years one of the most significant contributing factors in the continuing decline of the Corporation's long term debt.

DEBT SERVICING

Also during the past six years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 22.3 per cent. to 14.9 per cent. and as a percentage of total operating expenditure from 11.5 per cent. to 7.2 per cent. as shown by the following tables:

DEBT CHARGES

DOLLARS IN THOUSANDS

	Debt Charges	General Levy	Percentage
1980	$86,950	$ 389,063	22.3
1981	87,178	430,828	20.2
1982	85,853	486,570	17.6
1983	87,744	537,690	16.3
1984	91,797	597,246	15.4
1985	**93,936**	**628,435**	**14.9**

	Debt Charges	Total Operating Expenditure	Percentage
1980	$86,950	$ 758,245	11.5
1981	87,178	843,425	10.3
1982	85,853	1,004,221	8.5
1983	87,744	1,112,253	7.9
1984	91,797	1,219,647	7.5
1985	**93,936**	**1,310,864**	**7.2**

RESERVES AND RESERVE FUNDS

The table below lists the year end balances of Reserves and Reserve Funds of the Municipality over the last six years in relation to total operating expenditures.

RESERVE AND RESERVE FUNDS

DOLLARS IN THOUSANDS

	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1980	$23,994	$ 758,245	3.2
1981	39,454	843,425	4.7
1982	80,654	1,004,221	8.0
1983	46,124	1,112,253	4.1
1984	72,336	1,219,647	5.9
1985	**72,020**	**1,310,864**	**5.5**

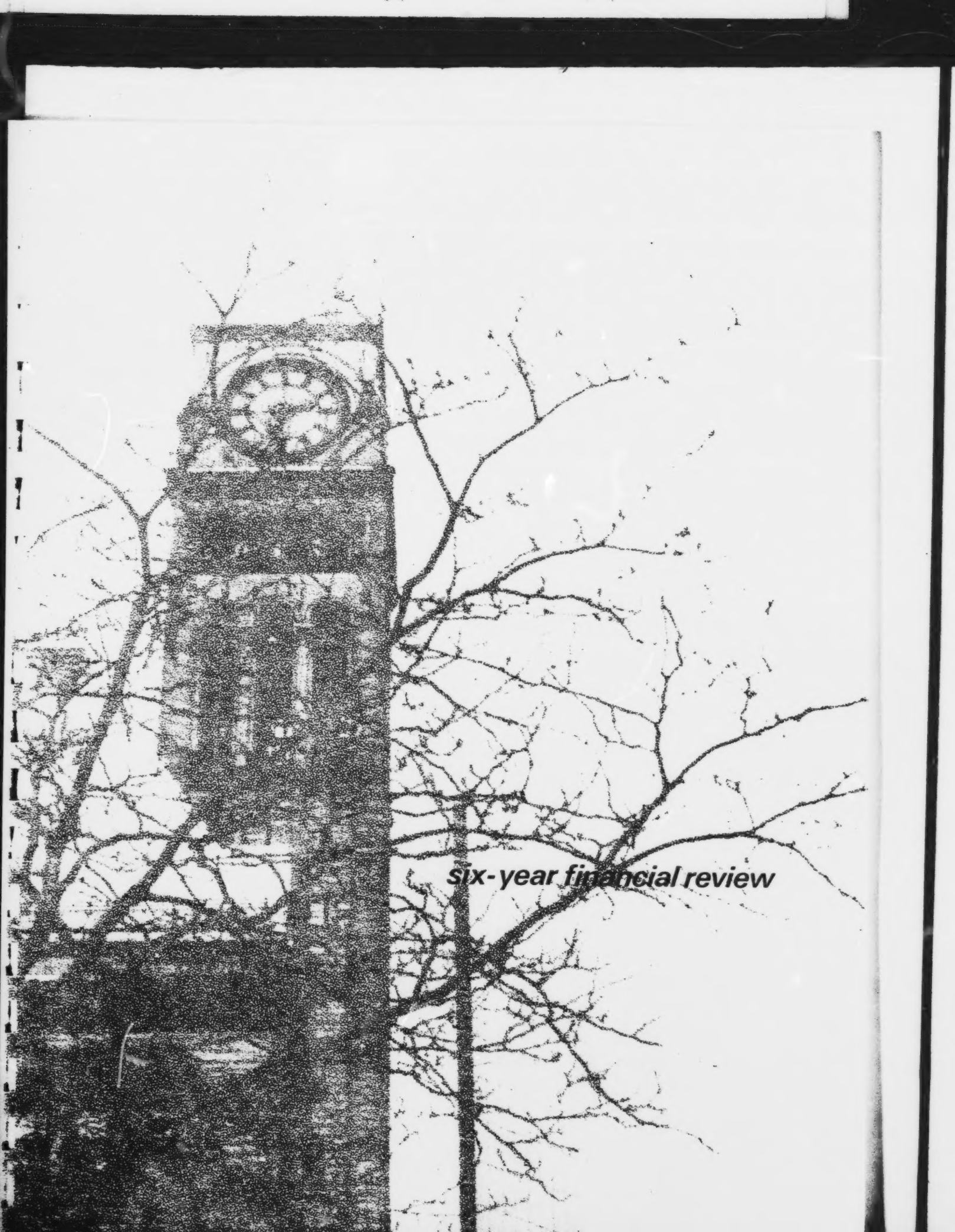
In my opinion, the level of reserves and reserve funds is considered to be adequate in relation to the ongoing operations of the Municipality.

CONCLUSION

The Municipality of Metropolitan Toronto further consolidated its financial position in 1985 and continued to pursue fiscal strategies geared to long-term stability and effective utilization of limited resources.

Respectfully submitted,

John L. Pickard, B. Com., F.C.A.
Commissioner of Finance and Treasurer



six-year financial review

MUNICIPALITY OF METROPOLITAN TORONTO

SIX-YEAR FINANCIAL REVIEW

NOT SUBJECT TO AUDIT

		1985	1984
Statistics	Population at the end of the year	2,145,900	2,131,942
	Area in acres at the end of the year	154,584	154,584
	Employees - continuous full time	14,266	14,325
	- part time	1,535	1,358
Assessment	Taxable assessment upon which the year's rates of taxation were set		
	Residential and farm	$3,930,227	$3,892,227
	Commercial and industrial	4,211,612	4,133,651
		$8,141,839	$8,025,878
	Per capita	$ 3,794	$ 3,765
	Commercial and industrial, and business as a percentage of taxable assessment	51.73%	51.50%
Current Operations	Revenue for general municipal services		
	Taxation - (Levy on area municipalities, supplementary taxes)	$ 635,820	$ 606,231
	Ontario grants	459,057	425,253
	Other grants	949	2,442
	User charges	147,627	124,979
	Other	69,739	56,894
		$1,313,192	$1,215,799
	Expenditure - general municipal	$1,310,864	$1,219,647
	Transfers to the school boards	$1,184,910	$1,079,304
	Accumulated net revenue at end of year	$ 37,809	$ 35,481

DOLLARS IN THOUSANDS EXCEPT PER CAPITA FIGURES

1983	1982	1981	1980
2,124,085	2,122,369	2,110,973	2,113,552
154,584	154,584	154,584	154,584
14,130	13,360	13,028	12,524
1,195	1,630	1,294	1,082
$3,816,298	$3,719,100	$3,626,267	$3,593,080
4,045,484	4,021,747	3,820,133	3,800,787
$7,861,782	$7,740,847	$7,446,400	$7,393,867
$ 3,701	$ 3,647	$ 3,527	$ 3,498
51.46%	51.95%	51.30%	51.40%
$ 547,650	$ 493,162	$ 444,541	$ 399,782
397,939	351,688	293,464	260,559
2,065	56	250	7
112,997	90,622	68,615	58,211
57,608	53,220	54,289	36,039
$1,118,259	$ 988,748	$ 861,159	$ 754,598
$1,112,253	$1,004,221	$ 843,425	$ 758,245
$1,001,205	$ 907,773	$ 776,569	$ 689,866
$ 39,329	$ 33,323	$ 48,796	$ 31,062

MUNICIPALITY OF METROPOLITAN TORONTO

SIX-YEAR FINANCIAL REVIEW (continued)

NOT SUBJECT TO AUDIT

		1985	1984
Net Long Term Liabilities	General municipal activities	$ 358,207	$ 388,949
	Per capita	$ 167	$ 182
	Percentage of taxable assessment	4.40%	4.85%
	Municipal enterprises	$ 83,948	$ 96,298
	Charges for net long term liabilities		
	General municipal activities	$ 108,868	$ 91,797
	Per capita	$ 51	$ 43
Capital Operations	Capital financing during the year		
	Contributions from own funds	$ 70,574	$ 55,523
	Long term liabilities incurred	11,645	18,901
	Ontario grants	141,394	122,869
	Other	20,649	22,549
		$ 244,262	$ 219,842
	Capital expenditure during the year	$ 268,466	$ 228,326
Reserves and Reserve Funds	Balance at end of year	$ 72,020	$ 72,336

DOLLARS IN THOUSANDS EXCEPT PER CAPITA FIGURES

	1983	1982	1981	1980
	$ 415,318	$ 419,148	$ 452,608	$ 478,786
	$ 196	$ 197	$ 214	$ 227
	5.28%	5.41%	6.08%	6.48%
	$ 109,636	$ 123,293	$ 136,189	$ 145,636
	$ 87,744	$ 85,853	$ 87,178	$ 86,950
	$ 41	$ 40	$ 41	$ 41
	$ 81,598	$ 40,839	$ 50,028	$ 47,560
	38,160	9,131	12,362	15,413
	115,126	82,747	62,047	43,600
	20,879	14,801	13,559	21,387
	$ 255,763	$ 147,518	$ 137,996	$ 127,960
	$ 274,771	$ 153,681	$ 119,656	$ 111,205
	$ 46,124	$ 80,654	$ 39,454	$ 23,994

metropolitan toronto statements

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 392-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 18, 1986

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1985 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Municipality as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied, except for the change in the method of accounting for debenture interest as explained in note 1(b)(i) to the financial statements, on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

MUNICIPALITY OF METROPOLITAN TORONTO

BALANCE SHEET
DECEMBER 31, 1985

ASSETS	1985	1984
Unrestricted		
Cash	$ 3,600	$ 2,533
Investments (note 4)	176,749	139,693
User charges receivable	21,987	22,285
Accounts receivable (note 14)	177,041	157,880
Other current assets	13,750	12,793
Long term receivables	2,405	2,003
	395,532	337,187
Restricted		
Cash	115	247
Investments (note 4)	18,420	16,280
Accounts receivable	653	471
Other current assets	126	120
	19,314	17,118
Capital outlay financed by long term liabilities and to be recovered in future years (notes 2, 7)	538,072	641,913
	$952,918	$996,218

see accompanying notes

DOLLARS IN THOUSANDS

LIABILITIES AND FUND BALANCES	1985	1984
Current liabilities		
Temporary loans	$ 12,811	$ 10,314
Accounts payable and accrued liabilities (notes 5, 6, 13)	283,352	202,807
Other current liabilities (note 14)	12,747	14,225
	308,910	227,346
Long term payables	13,536	12,367
Net long term liabilities (note 7)	538,072	641,913
Fund balances at end of year (notes 8, 9)		
To be used to offset taxation or user charges in 1986	37,809	35,481
Unexpended capital financing (Capital operations not yet permanently financed)	(17,429)	6,775
Reserves	53,033	55,725
Reserve funds	18,987	16,611
	$952,918	$996,218

MUNICIPALITY OF METROPOLITAN TORONTO

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1985

SOURCES OF FINANCING	1985	1984
Taxation and user charges		
Requisition on local municipalities	$1,820,730	$1,685,535
Less school board requisition	(1,184,910)	(1,079,304)
User charges	147,820	125,160
Grants		
Government of Canada	1,778	4,319
Province of Ontario	600,451	548,122
Other		
Investment income	19,397	18,093
Sale of land	2,378	1,729
Fines	22,465	22,551
Other	31,440	32,852
Proceeds from the issue of long term liabilities	11,433	18,461
Net appropriations from reserves and reserve funds	316	
Municipal fund balances at beginning of year		
To be used to offset taxation or user charges	35,481	39,329
Unexpended capital financing	6,775	15,259
	$1,515,554	$1,432,106

see accompanying notes

DOLLARS IN THOUSANDS

APPLIED TO	1985	1984
Current operations		
General government	$ 55,760	$ 53,433
Protection to persons and property	348,191	324,641
Transportation services	211,601	188,717
Environmental services	127,211	112,753
Health services	37,575	35,175
Social and family services	374,783	347,087
Recreation and cultural services	63,354	58,061
Planning and development	8,511	15,917
	1,226,986	1,135,784
Capital operations		
General government	432	628
Protection to persons and property	23,550	10,719
Transportation services	183,843	154,274
Environmental services	33,917	38,280
Health services	3,492	3,942
Social and family services	7,114	7,472
Recreation and cultural services	15,794	12,507
Planning and development	46	32
	268,188	227,854
Net appropriations to reserves and reserve funds		26,212
Municipal fund balances at end of year		
To be used to offset taxation or user charges	37,809	35,481
Unexpended capital financing (Capital operations not yet permanently financed)	(17,429)	6,775
	$1,515,554	$1,432,106

MUNICIPALITY OF METROPOLITAN TORONTO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Content of financial statements

These financial statements reflect the operations and financial position of the revenue fund, reserves, reserve funds and capital fund of the Municipality, including the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission.

Included in the Statement of Operations is the Metropolitan education levy requisitioned upon the Metropolitan area municipalities on behalf of the Metropolitan Toronto School Board.

The Balance Sheet reflects the net long term liabilities issued by the Municipality on behalf of the Metropolitan Toronto School Board, the Metropolitan Waterworks System and the Toronto Transit Commission, local boards and municipal enterprises of the Metropolitan Corporation.

(b) Basis of accounting

(i) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they fall due. The principal charges are not accrued for the periods from the latest due dates to the end of the financial year.

The Municipality commenced to accrue debenture interest charges effective January 1, 1985. A reserve was established in 1982 to provide for the phasing in of the financial impact of debenture interest accrual over the years 1982 to 1985.

The 1985 debenture interest charges on the Statement of Operations includes $14,932,000 of debenture interest charges accrued from the latest due dates to December 31, 1985. The amount of $15,968,000, which includes a provision for 1985 of $4,493,000, has been transferred from the reserve to revenue in the current year.

(ii) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(iii) Capital outlay financed by long term liabilities and to be recovered in future years

The historical cost and accumulated depreciation of fixed assets are not reported for municipal purposes. Instead the "Capital outlay financed by long term liabilities and to be recovered in future years", which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures, the value of long term obligations arising out of capital leases entered into by the Municipality, and capital funds transferred to local boards and municipal enterprises of the Municipality, is reported on the Balance Sheet.

(iv) Liabilities payable in foreign currencies

Long term debt payable in U.S. funds has been converted into Canadian funds at the exchange rates prevailing at the time the debt was incurred.

(v) Inventories

Inventories of supplies amounting to $3,791,000 (1984 - $3,514,000) and included in "Other current assets - Unrestricted" on the Balance Sheet are valued at average cost.

2. CAPITAL OUTLAY FINANCED BY LONG TERM LIABILITIES AND TO BE RECOVERED IN FUTURE YEARS

Some capital outlay to be recovered in future years does not represent a burden on general municipal revenues as it is to be recovered either from revenue of the School Board or from the individual municipal enterprises as follows:

	DOLLARS IN THOUSANDS	
	1985	1984
Metropolitan Toronto School Board	$ 95,917	$156,666
Metropolitan Toronto Waterworks System	65,875	75,575
Toronto Transit Commission	18,073	20,723

Capital outlays, fixed asset purchases and transfers of capital funds totalling $66,551,000 (1984 - $53,247,000) which have been financed from general municipal revenues of the current year are included on the Analysis of Current Operations.

3. TRUST FUNDS

Trust funds administered by the Municipality amounting to $19,632,000 (1984 - $18,323,000) have not been included in the Balance Sheet nor have their operations been included in the Statement of Operations.

4. INVESTMENTS

The unrestricted investments of $176,749,000 (1984 - $139,693,000) and restricted investments of $18,420,000 (1984 - $16,280,000) are recorded on the Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

5. PAST SERVICE PENSION COSTS

In addition to regular payments in respect of current service, the Municipality is obligated at December 31, 1985 for an amount of $85,275,000 (1984 - $106,900,000) in respect of past service relative to various pension and benefit plans as follows:

	DOLLARS IN THOUSANDS
1986 to 1988	$32,011
1989 to 1991	31,649
1992 to 1994	21,615
	$85,275

No provision has been made in the accounts for this obligation, and the expense is recorded as funded annually. In this regard, expenditure of $11,889,000 was funded in 1985 (1984 - $11,936,000) and is reported on the Statement of Operations.

6. VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment.

Metropolitan Council on April 23, 1982, approved the establishment of a Corporate Sick Pay Reserve Fund to cover payouts to employees of the Metropolitan Corporation, the Metropolitan Waterworks System and the Metropolitan Toronto Housing Company Limited, such that contributions to the fund are sufficient to offset expected payouts over a given period of time. Effective January 1, 1984, eligible employees of the Board of Governors of Exhibition Place, the Board of Management of the Metropolitan Toronto Zoo and the Metropolitan Toronto Library Board became participants in the Corporate Sick Pay Reserve Fund.

The contributions to the fund are determined on the basis of a 10-year simulation of projected reserve fund activity with the projections of withdrawals based on a 10-year forecast period, the entire projection process being repeated every year. It is anticipated that this process will stabilize the financial impact on the Corporation and other participants in respect of future payment of vested sick leave benefits.

The following table details, in respect of employees of the Metropolitan Corporation and other participants, the contributions to the fund and the amount of vested contingent liability as at December 31, 1985.

DOLLARS IN THOUSANDS

	Contributions				
	1985	1986 to 1988	1989 to 1991	1992 to 1995	Vested Liability Dec. 31, 1985
Metropolitan Corporation	$ 4,067	$ 7,025	$ 7,025	$ 9,367	$73,895
Other	387	552	552	736	5,110

As at December 31, 1985, the balance of the Corporate Sick Pay Reserve Fund stood at $16,215,000 (1984 - $14,371,000).

7. NET LONG TERM LIABILITIES

(a) Debenture debt

Under the provisions of the Municipality of Metropolitan Toronto Act, the Metropolitan Corporation has the sole responsibility for borrowing money for its own account, the accounts of its local boards and municipal enterprises, and for the accounts of its area municipalities and their local boards and enterprises. It also assumed, under the provisions of the Act, certain debt incurred directly by its area municipalities prior to this statutory responsibility. Where money is borrowed or debt assumed on behalf of other bodies, repayment of the related debt servicing requirements is made by these bodies to the Municipality.

(b) Other long term obligations

Included in this category are:

The long term obligations arising out of lease purchase agreements entered into by the Municipality in respect of the Animal Domain Ride vehicles at the Metropolitan Toronto Zoo amounting to $2,760,000 (1984 - $3,103,000); the purchase of computer equipment by the Metropolitan Police Commission in the sum of $3,114,000 (1984 - $616,000), and the purchase of computer equipment by the Metropolitan Department of Ambulance Services in the sum of $196,000 (1984 - $245,000).

A long term interest free loan payable to the Province of Ontario in connection with the capital cost of the expansion of Exhibition Stadium amounting to $7,142,000 (1984 - $7,715,000).

(c) **Reconciliation of gross long term liabilities with net long term liabilities as reported on the Balance Sheet**

	DOLLARS IN THOUSANDS		
Debenture debt			
Total principal amount outstanding and incurred by the Municipality			
Own account		$ 648,857	
Local boards and municipal enterprises		195,338	
Metropolitan Toronto School Board		107,783	
Area municipalities		429,972	$1,381,950
Total principal amount outstanding incurred by area municipalities and assumed by the Municipality			
Own account		602	
Metropolitan Toronto School Board		14	616
Less principal amount outstanding payment of which is to be recovered from others			
Area municipalities		429,972	
Province of Ontario (in respect of assets assumed)		13,444	443,416
Less value of funds accumulated to retire outstanding long term liabilities			
Sinking funds			
Own account	$ 290,699		
Local boards and municipal enterprises	111,390		
Metropolitan Toronto School Board	11,880	413,969	
Ministry of the Environment debt retirement fund		322	414,291
Net long term liabilities - debenture debt			$ 524,859

	DOLLARS IN THOUSANDS	
brought forward		$ 524,859
Other long term obligations		
Capital leases	$ 6,071	
Long term loans	7,142	13,213
Total net long term liabilities		$ 538,072

Net long term liabilities outstanding are in respect of the following purposes:	DOLLARS IN THOUSANDS
General municipal activities other than Metropolitan Toronto Library Board	$ 340,622
Metropolitan Toronto Library Board	17,585
Metropolitan Toronto Waterworks System (recovered from the revenues of the System)	65,875
Toronto Transit Commission (recovered from the revenues of the Commission)	18,073
Metropolitan Toronto School Board (recovered from the revenues of the Board)	95,917
	$ 538,072

(d) **Net long term liabilities - future redemption**

Of the net long term liabilities reported in (c) of this note, $211,753,000 in principal payments are payable from 1986 to 1990, $150,905,000 from 1991 to 1995 and $48,175,000 thereafter, and are summarized as follows:

	DOLLARS IN THOUSANDS		
	1986 to 1990	1991 to 1995	1996 and thereafter
General municipal revenues	$121,938	$100,946	$ 32,173
Metropolitan Toronto Waterworks System	19,067	17,880	6,708
Toronto Transit Commission	8,049	8,135	
Metropolitan Toronto School Board	62,699	23,944	9,294
	$211,753	$150,905	$ 48,175

(e) **Translation of net long term liabilities payable in U.S. funds**

Included in the total of $538,072,000 is an amount of $168,999,000 payable in U.S. funds and converted at rates of exchange prevailing at the time the liability was incurred. If translated at the exchange rate prevailing at December 31, 1985, the Canadian dollar equivalent of this amount of debt would be increased by $54,546,000 (1984 - $47,146,000).

(f) **Ontario Municipal Board**

Approval of the Ontario Municipal Board has been obtained for the long term liabilities reported in (c) of this note issued in the name of the Municipality.

(g) **Long term liabilities incurred on behalf of area municipalities**

The Municipality is contingently liable for long term liabilities incurred on behalf of its area municipalities. The total amount outstanding as at December 31, 1985 was $429,972,000 (1984 - $429,789,000) and is not recorded on the Balance Sheet. During the year long term liabilities of $28,146,000 (1984 - $31,383,000 were incurred on behalf of the Metropolitan area municipalities and are not reflected on the Statement of Operations.

8. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The balance on the Statement of Operations of municipal equity of $20,380,000 (1984 - $42,256,000) at the end of the year is comprised of the following:

	DOLLARS IN THOUSANDS	
	1985	1984
For general reduction of taxation	$37,809	$35,481
Acquisition of fixed assets to be recovered through taxation	(42,381)	(25,431)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(42,381)	(25,431)
Funds available for the acquisition of fixed assets	67,333	57,637
	$20,380	$42,256

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities and for those commitments to be financed from revenues beyond the term of Council.

9. RESERVES AND RESERVE FUNDS

The total balance of reserves and reserve funds of $72,020,000 (1984 - $72,336,000) is made up of the following:

	DOLLARS IN THOUSANDS	
Set aside for specific purposes by Council	1985	1984
Reserves		
Exchange stabilization	$ 4,360	$ 2,360
Replacement of equipment	4,654	3,882
Sick pay benefits	2,274	1,725
Debenture interest accrual		11,475
Capital financing stabilization	20,796	19,092
Contingencies	19,860	15,657
Parks and recreation programs & facilities	1,089	1,089
Emergency response facilities		445
	$53,033	$55,725

	DOLLARS IN THOUSANDS	
Reserve funds		
Sick pay benefits	$16,215	$14,371
Insurance	1,149	697
Parks and recreation programs & facilities	1,475	1,423
Other	22	
	18,861	16,491
	71,894	72,216
Set aside for specific purposes by legislation, regulation or agreement		
Reserve funds		
Contingencies re. Lakeview Sewage Treatment Plant	126	120
	$72,020	$72,336

10. CAPITAL FINANCING STABILIZATION RESERVE

Metropolitan Council approved the creation of a Capital Financing Stabilization Reserve, commencing in 1982, for the purpose of stabilizing the contribution of the revenue fund towards capital expenditure at a level no greater than 50 per cent. of the actual net capital financing requirements for the year. The current policy of Council for financing net capital expenditures is to meet up to 50 per cent. of the required financing by an annual current levy and transfers, where necessary and available, from the Stabilization Reserve, the balance being provided from excess sinking fund earnings and debenture proceeds; conversely if the annual current levy produces a sum of funds in excess of the 50 per cent. guideline, such excess is transferred to the Reserve.

Resulting from 1985 capital operations and in accord with this policy, an amount of $51,308,000 was utilized from current operations to finance capital expenditures while $1,704,000 was transferred to reserve.

11. RESERVE FOR ARBITRATION CONTINGENCIES

For some years certain matters have been in arbitration which could give rise to potential liabilities. Funding to cover these contingencies has been provided each year in the annual estimates and the lack of resolution in each year has resulted in these unspent amounts forming part of the surplus of that year. On April 19, 1985, Metropoitan Council approved the establishment of a reserve for arbitration contingencies, and the transfer of an amount of $15,000,000 to this reserve for the 1984 fiscal year in respect of such contingencies.

12. CHARGES FOR LONG TERM LIABILITIES

Payments and recoveries in respect of the total debt incurred by the Municipality for its own account and on account of its local boards and municipal enterprises are set out below. Also included are payments in respect of capital leases entered into by the Municipality, and, where applicable, loan repayments to the Province of Ontario in respect of the long term loan for the expansion of Exhibition Stadium.

	DOLLARS IN THOUSANDS	
	1985	1984
Principal payments including contributions to sinking funds and to the Ministry of the Environment debt retirement fund	$ 56,728	$ 56,086
Interest	118,473	97,157
	175,201	153,243
Recoveries from local boards and municipal enterprises for whom the long term liability was incurred	66,333	61,446
	$108,868	$ 91,797

The amount of $108,868,000 is charged to expenditures on the Statement of Operations under the appropriate functional classifications and consists of principal payments of $29,620,000 and interest payments of $79,248,000. Payments of interest and principal on debt issued in U.S. currency included in these amounts are reflected at the actual Canadian dollar costs incurred. Principal payments include the sum of $2,044,000 which reflects the excess of costs of conversion to U.S. funds over the corresponding principal amounts recorded at the time the debt was issued.

13. CONTRACTUAL OBLIGATIONS

Capital fund

(a) Property settlements outstanding

Due to the lengthy processes involved in the agreement of the valuation of properties expropriated for capital improvements, there were a number of settlements outstanding at the end of the year. In view of the complexities of arriving at valuations of such properties, no liability has been brought to account or determined for such property settlements outstanding as at December 31, 1985.

Revenue fund

(a) Contribution towards domed stadium

Metropolitan Council, on January 22, 1985, approved a contribution towards the capital cost of construction of a domed stadium within the boundaries of Metropolitan Toronto in a total amount not to exceed the lesser of $30 million, or 20 per cent. of the total cost of the project. This contribution was approved as a current expenditure to be financed over a period of five years commencing in 1985 through the establishment and maintenance of a reserve fund with provision being made annually in the current estimates as follows:

1985	$ 500,000
1986	$7,200,000
1987	$7,200,000
1988	$7,200,000
1989	$7,900,000

In addition, Council adopted as policy that it would not be responsible for any operating costs or financial losses of the stadium, nor provide any grants to related organizations.

(b) Reduced T.T.C. fares for the elderly

The Municipality has entered into an agreement with the Toronto Transit Commission whereby the Municipality has undertaken to assume the cost of the difference between the cost of regular adult fares and half-fares paid by residents of the Municipality 65 years of age and over, effective January 1, 1971, as amended. This agreement continues in force until terminated by either party on sixty days' notice. Expenditures by the Municipality amounted to $10,247,000 in 1985 and provision has been made in the estimates for 1986 for an expenditure of $11,244,000 in this regard.

14. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $11,697,000 in 1985 (1984 - $12,932,000) are subject to a decision of The Metropolitan Council as to their use for either capital or revenue purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Other Current Liabilities".

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CURRENT OPERATIONS
YEAR ENDED DECEMBER 31, 1985

DOLLARS IN THOUSANDS

	1985 Budget	1985 Actual	Budget Comparison	1984 Actual
Surplus at beginning of year	$ 35,481	$ 35,481	$ -	$ 39,329
Revenue				
Taxation and user charges				
Requisition on local municipalities	1,820,882	1,820,730	(152)	1,685,535
Less school board requisition	(1,184,529)	(1,184,910)	(381)	(1,079,304)
User charges	135,346	147,627	12,281	124,979
Grants				
Government of Canada	1,239	949	(290)	2,442
Province of Ontario	464,272	459,057	(5,215)	425,253
Other				
Investment income	14,000	17,462	3,462	16,401
Sale of land	74	37	(37)	-
Fines	21,200	22,465	1,265	22,551
Other	27,886	29,775	1,889	17,942
	1,300,370	1,313,192	12,822	1,215,799
Expenditure				
General government	70,272	69,138	1,134	72,958
Protection to persons and property	370,588	363,631	6,957	341,084
Transportation services	234,247	235,083	(836)	203,184
Environmental services	144,805	144,468	337	133,136
Health services	42,944	40,726	2,218	39,271
Social and family services	388,584	377,713	10,871	354,667
Recreation and cultural services	75,500	71,541	3,959	65,928
Planning and development	8,911	8,564	347	9,419
	1,335,851	1,310,864	24,987	1,219,647
Surplus at end of year	$ -	$ 37,809	$ 37,809	$ 35,481

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CAPITAL OPERATIONS
YEAR ENDED DECEMBER 31, 1985

	DOLLARS IN THOUSANDS	
	1985	1984
Unexpended capital financing at beginning of year	$ 6,775	$ 15,259
Source of funds		
Long term liabilities incurred	11,645	18,901
Ontario grants	141,394	122,869
Other	20,649	22,549
Appropriations from other funds		
Current operations	66,551	53,247
Reserves	2,347	1,921
Reserve funds	1,676	355
	244,262	219,842
Expenditures and transfers		
General government	455	717
Protection to persons and property	23,550	10,719
Transportation services	183,924	154,277
Environmental services	34,042	38,552
Health services	3,494	3,942
Social and family services	7,115	7,473
Recreation and cultural services	15,840	12,614
Planning and development	46	32
	268,466	228,326
Unexpended capital financing (Capital operations not yet permanently financed) at end of year	$(17,429)	$ 6,775

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS
YEAR ENDED DECEMBER 31, 1985

RESERVES	Exchange Stabilization	Equipment Replacement
Balance at beginning of year	$ 2,360	$ 3,882
Appropriations from (to) current operations	2,000	5,086
Appropriations from (to) capital operations		(2,347)
Appropriations from (to) reserve funds		(4)
Other contributions		79
Interest earned		
Other charges		(2,042)
Balance at end of year	$ 4,360	$ 4,654

RESERVES	Major Expenditures Variations	Capital Financing Stabilization
Balance at beginning of year	$ 657	$19,092
Appropriations from (to) current operations	4,203	1,704
Appropriations from (to) capital operations		
Appropriations from (to) reserve funds		
Other contributions		
Interest earned		
Other charges		
Balance at end of year	$ 4,860	$20,796

DOLLARS IN THOUSANDS

Emergency Response	Police Central Sick Pay	Parkland Acquisition	Debenture Interest Accrual
$ 445	$ 1,725	$ 1,000	$11,475
	699		(11.475)
	32		
(445)	(182)		
$ -	$ 2,274	$ 1,000	$ -

C.N.E.A. Vested	Arbitration Contingencies	Total 1985	Total 1984
$ 89	$15,000	$55,725	$32,056
		2,217	37,650
		(2,347)	(1,921)
		(4)	(4)
		79	181
		32	16
		(2,669)	(12,253)
$ 89	$15,000	$53,033	$55,725

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS (continued)
YEAR ENDED DECEMBER 31, 1985

RESERVE FUNDS	M.O.E. Contingencies	O'Keefe Capital Improvements	Stadium Capital Improvements
Balance at beginning of year	$ 120	$ 339	$ 885
Revenue			
Contributions from current operations		316	688
Contributions from capital operations			
Contributions from reserves			
Contributions from others			
Interest earned	6	39	54
	6	355	742
Expenditures			
Contributions to current operations			
Contributions to capital operations		236	1,440
Other charges			
		236	1,440
Balance at end of year	$ 126	$ 458	$ 187

DOLLARS IN THOUSANDS

Insurance	Corporate Sick Pay	Regent Park Community Centre	C.N.E.A. Vested
$ 697	$14,371	$ 49	$ 150
816	4,063		
7			
	4		
238	387		
101	1,656	5	13
1,162	6,110	5	13
710	4,266		13
710	4,266		13
$ 1,149	$16,215	$ 54	$ 150

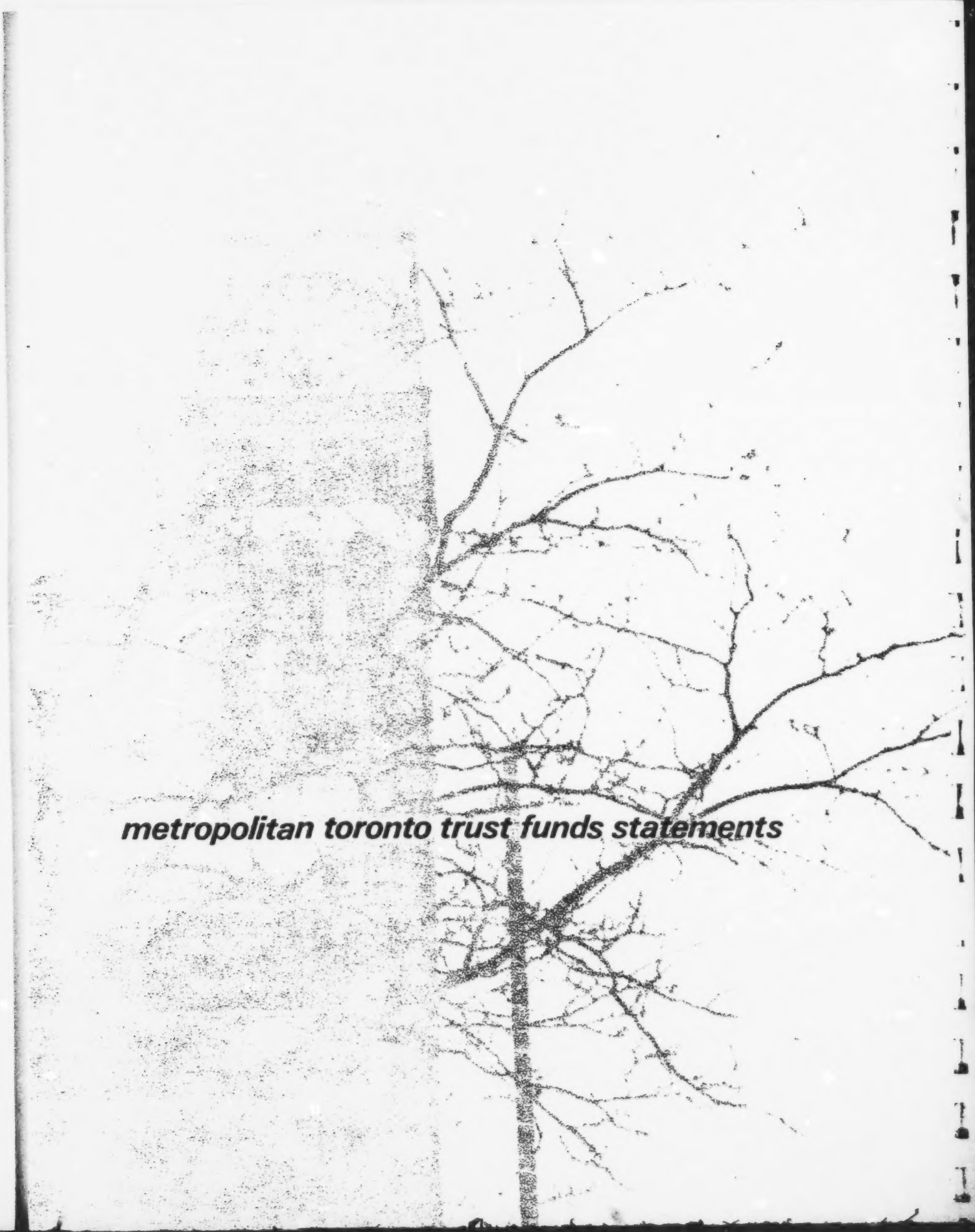
MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS (continued)
YEAR ENDED DECEMBER 31, 1985

RESERVE FUNDS	G. Sinclair Scholarship	Central Laundry Equipment Replacement	Animal Transactions
Balance at beginning of year	$ -	$ -	$ -
Revenue			
Contributions from current operations	22	120	
Contributions from capital operations			
Contributions from reserves			
Contributions from others			114
Interest earned	2	1	8
	24	121	122
Expenditures			
Contributions to current operations			
Contributions to capital operations			
Other charges	2	121	14
	2	121	14
Balance at end of year	$ 22	$ -	$ 108

DOLLARS IN THOUSANDS

	Covered Stadium	Total 1985	Total 1984
	$ -	$16,611	$14,068
	500	6,525	5,010
		7	5
		4	4
		739	522
	18	1,903	1,676
	518	9,178	7,217
			1
		1,676	355
		5,126	4,318
		6,802	4,674
	$ 518	$18,987	$16,611



metropolitan toronto trust funds statements

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor 365 Bay Street
Toronto Ontario Canada M5H 2V1
Telephone (416)392-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 18, 1986

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the balance sheet of the trust funds of the Municipality of Metropolitan Toronto as at December 31, 1985 and the trust funds statement of continuity for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the trust funds of the Municipality as at December 31, 1985 and the continuity of trust funds for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

METROPOLITAN TORONTO TRUST FUNDS

STATEMENT OF CONTINUITY
YEAR ENDED DECEMBER 31, 1985

	Homes for the Aged Residents	Metropolitan Toronto Public Utilities	Edwards Gardens
Balance, beginning of year	$13,447	$ 119	$ 1
Capital receipts			
Cash or collateral received	3,584	25	
Increase/(Decrease) in value of investments	(306)		
Interest earned	1,160	8	
	4,438	33	
Expenditures			
Payments - to or on behalf of Metropolitan Treasurer	2,450		
- to Provincial Courts			
- to or on behalf of area municipalities			
- to or on behalf of residents	3,096		
- to sundry persons		36	
	5,546	36	
Balance, end of year	$12,339	$ 116	$ 1

METROPOLITAN TORONTO TRUST FUNDS

BALANCE SHEET
DECEMBER 31, 1985

Assets			
Cash			
Investments (note 1) - Federal	$ 202	$ 59	
- Provincial	7		
- Other	11,127		
	11,336	59	
Accounts receivable	940	52	
Interest receivable on investments	58		
Due from Metropolitan Toronto	5	5	$ 1
	1,003	57	1
	$12,339	$ 116	$ 1
Liabilities			
Accounts payable (note 2)			
Due to Metropolitan Toronto			
Balance - Capital	12,339	$ 116	$ 1
	$12,339	$ 116	$ 1

DOLLARS IN THOUSANDS

	Transient Traders' License Fees	Keele Valley Small Claims Deposit	Keele Valley Site Post-Closure	Donations	Beare Road Ski Facilities	Police Commission
	$ 3	$ 100	$ 86	$ 64	$ 2,162	$ 288
			139	102		4,628
			9		196	
			148	102	196	4,628
					85	197
						4,048
				85		427
				85	85	4,672
	$ 3	$ 100	$ 234	$ 81	$ 2,273	$ 244

DOLLARS IN THOUSANDS

			$ 5		$ 166	$ 263
			86		1,011	
			86		1,011	
			139		1,035	
			4		61	15
	$ 3	$ 100		$ 81		
	3	100	143	81	1,096	15
	$ 3	$ 100	$ 234	$ 81	$ 2,273	$ 278
						$ 34
	$ 3	$ 100	$ 234	$ 81	$ 2,273	244
	$ 3	$ 100	$ 234	$ 81	$ 2,273	$ 278

METROPOLITAN TORONTO TRUST FUNDS

STATEMENT OF CONTINUITY (continued)
YEAR ENDED DECEMBER 31, 1985

	Thackeray Landfill Restoration	Sports Injuries Clinic Equipment	Metropolitan Municipalities' 1984 Liability
Balance, beginning of year	$ 19	$ 3	$ 1,660
Capital receipts			
Cash or collateral received			21
Increase/(Decrease) in value of investments			
Interest earned			122
			143
Expenditures			
Payments - to or on behalf of Metropolitan Treasurer			317
- to Provincial Courts			
- to or on behalf of area municipalities			339
- to or on behalf of residents			
- to sundry persons	16		
	16		656
Balance, end of year	$ 3	$ 3	$ 1,147

METROPOLITAN TORONTO TRUST FUNDS

BALANCE SHEET (continued)
DECEMBER 31, 1985

Assets			
Cash	$ 3		$ 35
Investments (note 1) - Federal			562
- Provincial			367
- Other			
			929
Accounts receivable			190
Interest receivable on investments			15
Due from Metropolitan Toronto		$ 3	1
		3	206
	$ 3	$ 3	$ 1,170
Liabilities			
Accounts payable (note 2)			$ 7
Due to Metropolitan Toronto			16
Balance - Capital	$ 3	$ 3	1,147
	$ 3	$ 3	$ 1,170

DOLLARS IN THOUSANDS

Metropolitan Municipalities' 1985 Liability	Security Deposits and Bonds	General Damages	Bequest Velma E. Francis	Ontario Tornado	Total 1985	Total 1984
$ -	$ 60	$ 282	$ 29	$ -	$18,323	$16,604
1,913	1,272	160	3	6	11,853	9,393
					(306)	(562)
153	73				1,721	1,850
2,066	1,345	160	3	6	13,268	10,681
338		15			3,402	2,124
					4,048	2,519
223					562	296
					3,096	3,135
	160	121		6	851	888
561	160	136		6	11,959	8,962
$ 1,505	$ 1,245	$ 306	$ 32	$ -	$19,632	$18,323

DOLLARS IN THOUSANDS

$ 38					$ 510	$ 794
167					990	
887					2,358	2,226
300	$ 1,204				12,631	14,544
1,354	1,204				15,979	16,770
135					2,491	131
45	73				271	186
1	41	$ 306	$ 32		579	635
181	114	306	32		3,341	952
$ 1,573	$ 1,318	$ 306	$ 32	$ -	$19,830	$18,516
$ 11	73				$ 91	73
57					107	120
1,505	$ 1,245	$ 306	$ 32		19,632	18,323
$ 1,573	$ 1,318	$ 306	$ 32	$ -	$19,830	$18,516

MUNICIPALITY OF METROPOLITAN TORONTO

TRUST FUNDS

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Expenditures

Expenditures from trust funds are recorded on an accrual basis except for claims against the Metropolitan Municipalities' Liability trust funds.

The Metropolitan Municipalities' Liability trust funds were established to self insure losses, up to a maximum of $50,000 per claim, incurred by the Corporation, its boards, agencies and commissions (except the Toronto Transit Commission) and the municipalities of Toronto, Etobicoke, York and East York.

Expenditures made by the Metropolitan Municipalities' Liability trust in settling claims are recorded as paid, with claims settled in January recorded as liabilities. Estimated unsettled claims are not accrued.

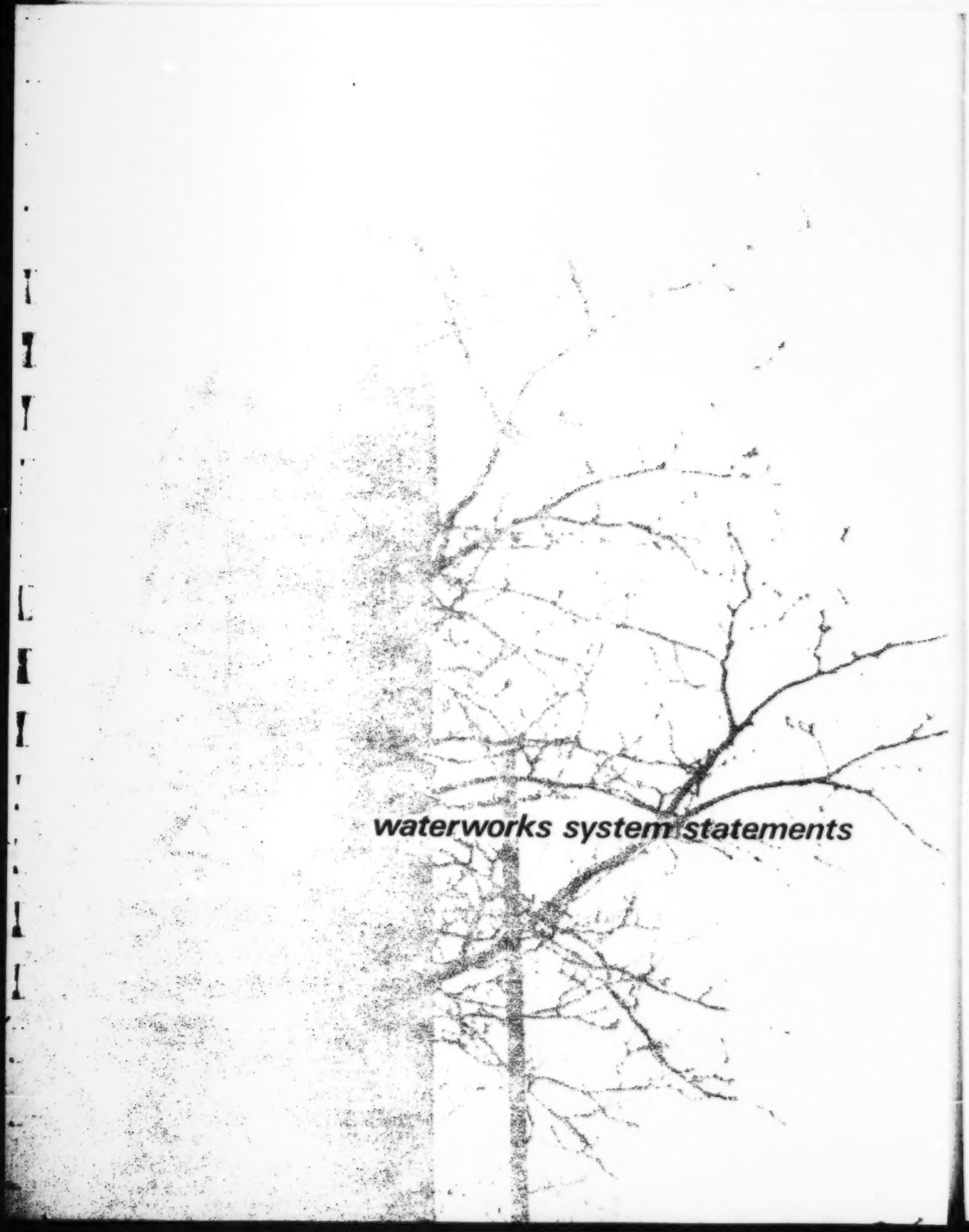
(b) Investments

Investments (other than Homes for the Aged Residents' Trust Fund investments) have been recorded at cost adjusted annually for amortization of discount on the basis of the effective annual yield as determined at the date of purchase.

The Homes for the Aged Residents' Trust Fund investments are recorded at market value; a total nominal value of $1 has been placed on unlisted stocks.

2. CONTINGENT LIABILITIES

The estimated unsettled claims of the Metropolitan Municipalities' Liability trust funds at December 31, 1985 amount to $5,156,000 (1984 - $2,696,000). These claims exceeded fund balances by $3,379,000 and $1,413,000 respectively. This unfunded estimated liability will be funded by equal annual instalments over the period 1986 to 1989.


waterworks system statements

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor 365 Bay Street
Toronto Ontario Canada M5H 2V1
Telephone (416)392-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 10, 1986

AUDITOR'S REPORT

The Chairman and Members of
The Metropolitan Council of
The Municipality of Metropolitan Toronto

I have examined the balance sheet of the Metropolitan Waterworks System as at December 31, 1985 and the statements of revenue, expenditure and accumulated net revenue, continuity of reserves and reserve fund and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Metropolitan Waterworks System as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles for Ontario municipalities applied, except for the change in the method of accounting for debenture interest as explained in note 1(e) to the financial statements, on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

METROPOLITAN WATERWORKS SYSTEM

BALANCE SHEET
DECEMBER 31, 1985

	DOLLARS IN THOUSANDS	
ASSETS	**1985**	**1984**
Current assets		
Receivable from the Municipality of Metropolitan Toronto	$ 41,619	$ 24,236
Accounts receivable - sale of water	11,969	11,108
Other receivables (note 7)	5,975	6,894
Refundable deposits	377	277
Inventories	167	250
	60,107	42,765
Investment - easement reserve fund	78	71
Capital outlay financed by long term liabilities and to be recovered in future years	65,875	75,575
	$126,060	$118,411
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable (note 4)	$ 6,518	$ 2,854
Other (note 7)	5,686	5,915
	12,204	8,769
Long term debt financed by the Municipality (note 2)	65,875	75,575
Fund balances at end of year		
Accumulated net revenue	19,719	19,591
Unexpended capital financing	15,139	10,254
Reserves and reserve fund	13,123	4,222
	$126,060	$118,411

see accompanying notes

METROPOLITAN WATERWORKS SYSTEM

STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED NET REVENUE
YEAR ENDED DECEMBER 31, 1985

DOLLARS IN THOUSANDS

	1985 Budget	1985 Actual	1984 Actual
Revenue			
Sale of water	$71,337	$75,177	$70,335
Investment income	4,000	3,210	2,423
Other	3,395	780	831
	78,732	79,167	73,589
Appropriations from reserves	3,507	4,009	279
	82,239	83,176	73,868
Expenditure			
Operations			
Water supply	10,709	11,147	10,840
Power and pumping	13,794	13,861	12,752
Water transmission and distribution	3,932	3,731	3,920
Administration	14,066	14,223	13,547
	42,501	42,962	41,059
Principal payments and interest charges on long term debt	24,681	25,183	22,655
Appropriations to reserves	2,903	12,903	1,114
Capital expenditure out of current revenue	2,107	2,000	3,293
	72,192	83,048	68,121
Net revenue for the year	10,047	128	5,747
Accumulated net revenue, beginning of year	19,591	19,591	13,844
Accumulated net revenue, end of year	$29,638	$19,719	$19,591

see accompanying notes

METROPOLITAN WATERWORKS SYSTEM

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1985

	DOLLARS IN THOUSANDS	
	1985	1984
Source of funds		
Operating revenue	**$79,167**	$73,589
Operating expenditure	**42,962**	41,059
Total provided from operations	**36,205**	32,530
Contributions from sinking funds	**5,915**	5,504
Other	**1,114**	909
	43,234	38,943
Application of funds		
Capital expenditure	**4,144**	7,341
Principal payments and interest charges on long term debt	**25,183**	22,655
	29,327	29,996
Net increase in working capital	**13,907**	8,947
Working capital, beginning of year	**33,996**	25,049
Working capital, end of year	**$47,903**	$33,996

see accompanying notes

METROPOLITAN WATERWORKS SYSTEM

STATEMENT OF CONTINUITY OF RESERVES AND RESERVE FUND
YEAR ENDED DECEMBER 31, 1985

DOLLARS IN THOUSANDS

	Exchange Stabilization Reserve	Debenture Interest Accrual Reserve	Capital Financing Stabilization Reserve	Water Rates Stabilization Reserve
Balance, beginning of year	$ 105	$ 2,775	$ 1,271	$ -
Appropriations from current operations	735	732	1,436	10,000
Appropriations to current operations	(502)	(3,507)		
Interest earned				
	233	(2,775)	1,436	10,000
Balance, end of year	$ 338	$ -	$ 2,707	$10,000

	Easement Reserve Fund	Total 1985	Total 1984
Balance, beginning of year	$ 71	$ 4,222	$ 3,380
Appropriations from current operations		12,903	1,114
Appropriations to current operations		(4,009)	(279)
Interest earned	7	7	7
	7	8,901	842
Balance, end of year	$ 78	$13,123	$ 4,222

see accompanying notes

METROPOLITAN WATERWORKS SYSTEM

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1985

1. ACCOUNTING POLICIES

(a) Financial administration

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining and to retain any surplus revenues generated from operations. Accordingly, the revenues, expenditures, assets and liabilities of the System are accounted for separately from the operations of the Municipality. For administrative convenience, staff of the System are employed by the Municipality, but all employee costs are charged directly to the System. The Municipality also provides working capital, temporary funding for capital works and issues debentures on behalf of the System if or when required. Debt servicing requirements of these debentures are repaid by the System to the Municipality and charged against operating revenues of the System.

(b) Fixed assets and depreciation

Fixed assets are valued at the aggregate of the principal portion of net long term liabilities and reported on the Balance Sheet as "Capital Outlay financed by long term liabilities and to be recovered in future years". Accordingly, no depreciation is charged in the accounts.

(c) Inventories

Inventories are valued at average cost.

(d) Liabilities payable in foreign currencies

Long term debts payable in U.S. funds have been converted into Canadian funds at the exchange rates prevailing at the times the debts were incurred by the Municipality of Metropolitan Toronto.

(e) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they fall due. The principal charges are not accrued for the periods from the latest due dates to the end of the financial year.

The Waterworks System commenced to accrue debenture interest charges effective January 1, 1985. In this regard a reserve was established in 1982 to permit the phasing of the fiscal impact of debenture interest accrual over intervening years, annual allocations to the reserve having been provided from the operating revenues of the System.

Included in the 1985 debenture interest charges on long term debt on the Statement of Revenue, Expenditure and Accumulated Net Revenue is the sum of $3,623,000 representing the accrual of debenture interest charges from the latest due dates to the end of the financial year, although this is offset by the sum of $3,507,000 transferred from the reserve for debenture interest accrual.

The amount of $25,183,000 charged to expenditures on the Statement of Revenue, Expenditure and Accumulated Net Revenue consists of principal payments of $5,065,000 and interest payments of $20,118,000. Payments of interest and principal on debt issued in U.S. currency included in these amounts are reflected at the Canadian dollar cost incurred. Principal payments include the sum of $686,000 which reflects the excess of costs of conversion to U.S. funds over the corresponding principal amounts recorded at the times the debt was incurred.

2. LONG TERM DEBT FINANCED BY THE MUNICIPALITY TO BE RECOVERED FROM THE REVENUES OF THE WATERWORKS SYSTEM

Total principal amount of long term liabilities outstanding	$159,071,000
Less value of sinking funds accumulated to retire outstanding long term liabilities	93,196,000
	$ 65,875,000

Included in the total of $65,875,000 is $41,144,000 of long term debt payable in U.S. funds converted at rates of exchange prevailing at the times the debt was incurred. If translated at the exchange rate prevailing at December 31, 1985, the Canadian dollar equivalent of this amount of debt would be increased by $13,642,000.

3. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan of the Municipality of Metropolitan Toronto, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment.

In 1982, the Municipality established a corporate Sick Pay Reserve Fund to cover such sick leave payments to employees of the Municipality and any participating boards, agencies or commissions. The Waterworks System is a participant of this Plan. Over a ten-year period, contributions to the Fund will discharge obligations and stabilize the financial impact of benefit payments.

4. PAST SERVICE PENSION COSTS

In addition to regular payments for current service, the Waterworks System is obligated to pay $294,000 in each of the years 1986 to 1992 in respect of an unfunded liability generated by improvements in the Metropolitan Toronto Pension Plan. No provision has been made in the accounts for this obligation. The expense is recorded when paid.

However, in accordance with the policy for the use of a portion of the surplus funds of the Plan adopted by Metropolitan Council in 1984, such surplus funds, as certified by the Actuary to the Plan, may be applied to reduce the amount of this obligation in future years.

5. CAPITAL FINANCING STABILIZATION RESERVE

Metropolitan Council, on March 15, 1983, approved the creation of a Capital Financing Stabilization Reserve, commencing in 1982, for the purpose of stabilizing the contribution of the current fund towards capital expenditure at a level no greater than 50 per cent. of the actual net capital financing requirements for the year. To the extent that the annual provision in the operating budget to finance capital expenditures exceeds this limit, the surplus is transferred to the reserve; conversely, if such annual provision amounts to less than this limit, the Metropolitan Treasurer may draw upon the reserve to meet any shortfall.

The balance of the reserve was $2,707,000 as at December 31, 1985.

6. RESERVE FOR STABILIZATION OF WATER RATES

Metropolitan Council, on September 20, 1985, approved the creation of a Reserve for Stabilization of Water Rates, commencing in 1985, for the purpose of absorbing any future potential loss which could be experienced under extremes of adverse weather or operating conditions.

The balance of the reserve was $10,000,000 as at December 31, 1985.

7. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long-term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations, amounting to $5,686,000 in 1985 (1984 - $5,915,000), are subject to a decision of The Metropolitan Council as to their use for either capital or revenue purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Balance Sheet under "Current Liabilities - Other".